

Message Text

UNCLASSIFIED

PAGE 01 COLOMB 00341 271110Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 FSE-00 ABF-01 (ISO) W

-----271917Z 072138 /44

R 271010Z JAN 77

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 6612

INFO AMEMBASSY NEW DELHI

UNCLAS COLOMBO 0341

NEW DELHI FOR FINANCIAL ATTACHE

E.O. 11652:N/A

TAGS: EFIN, CE

SUBJECT: CENTRAL BANK RAISES DISCOUNT RATE

REF: COLOMBO 0313

1. EFFECTIVE JANUARY 26, 1977 CENTRAL BANK OF CEYLON INCREASED DISCOUNT RATE FROM 6.5 TO 8.5 PERCENT. STATEMENT BY MONETARY BOARD DESCRIBED TWO PERCENTAGE POINT INCREASE, WHICH IS FIRST CHANGE IN RATE SINCE JANUARY 1970, AS "MERELY AN UPWARD ADJUSTMENT IN ORDER TO BRING THE BANK RATE INTO ALIGNMENT WITH INTEREST RATES IN THE MARKET." BOARD ALSO ANNOUNCED THAT INCREASE WOULD NOT LEAD TO HIGHER COMMERCIAL BANK LENDING RATES.

2. WHILE COMMERCIAL BANK LENDING RATES HAVE GRADUALLY INCREASES SINCE 1970, LATEST CENTRAL BANK MONTHLY BULLETIN (NOVEMBER 1976) SHOWS NO CHANGE IN INTEREST RATE STRUCTURE SINCE MID-1975. AS MAJOR COMMERCIAL BANKS ARE GSL ENTITIES, INTEREST RATES ARE CONTROLLED AND DO NOT NECESSARILY REFLECT ACTUAL MARKET CONDITIONS. ACCORDING TO A CENTRAL BANK SOURCE, INCREASE IN BANK

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RATE WAS LARGELY SYMBOLIC ACTION TAKEN TO SHOW SOME EFFORT BEING MADE TO CONTROL RAPID INCREASE IN LIQUIDITY (SEE REFTEL).

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, BANK RATES
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Copy: SINGLE
Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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SAS ID: 3488728
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Subject: CENTRAL BANK RAISES DISCOUNT RATE
TAGS: EFIN, CE
To: STATE
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